

IGI Insurance Limited-Window Takaful Operations
PARTICIPANT TAKAFUL FUND POLICY

1. SHORT TITLE:

- 1.1. This shall be called Participant Takaful Fund Policy of IGI Insurance Limited – Window Takaful Operations.

2. DEFINITIONS

Following are the definitions of the terminologies used in various clauses of the PTF Policy.

- 2.1. **Accounting Year:** Means financial year of the Operator, i.e. twelve months commencing from January 1st to December 31st.
- 2.2. **Beneficiary:** See *Mauqoof Alaihi*.
- 2.3. **Board of Directors:** Means board of directors of IGI Insurance Limited.
- 2.4. **Commission:** Means the Securities and Exchange Commission of Pakistan (SECP).
- 2.5. **Contribution:** Means Takaful contribution or the payment of an amount by way of *Tabarru'* by the participants/members of the PTF.
- 2.6. **Companies Ordinance:** Means the Companies Ordinance, 1984.
- 2.7. **Conventional Insurance:** Means life or non-life insurance under the Ordinance, including reinsurance, which is not Takaful as defined in clause (1xiv) of section 2 of the Ordinance and Re-Takaful (and as per Takaful Rules-2012 vide clause 2.iii)
- 2.8. **Deficit:** Means the shortfall in the PTF that at any point in time admissible assets in PTF are not sufficient to cover liabilities.
- 2.9. **Defined Losses:** Mean losses as defined in PMD.

- 2.10. **Fund:** Means Participants Takaful Fund (PTF) established under the Takaful Rules which will be run and managed by the Waqf set up under the Waqf Deed.
- 2.11. **Maal-e-Waqf:** Means Waqf money/ Property declared Waqf by the shareholders.
- 2.12. **Member:** See Mauqoof Alaihi.
- 2.13. **Mauqoof Alaihi (Beneficiary):** Means the participants, after filling Proposal Form and availing the policy document, once paid the contributions by way of Tabarru' into the PTF will become the Mauqoof Alaihi (beneficiary) of the PTF and shall be eligible for the benefits from PTF as specified in the PMD.
- 2.14. **Mutawalli:** Means the Shareholders of a Window Takaful Operator under Takaful Rules-2012; here in this case IGI Insurance Limited (Window Takaful Operations) working in its capacity as a **Mutawalli** thereby operating the PTF. The terms Operator or **Mutawalli** may be used interchangeably.
- 2.15. **Ordinance:** Means the Insurance Ordinance 2000.
- 2.16. **Operator:** See Mutawalli.
- 2.17. **Participant:** Means Mauqoof Alaihi or a member of the PTF or a person who participates in a Takaful plan, it Includes further, where Takaful Plan has been assigned, the assignee for the time being and the beneficiary and, where he is entitled as against to PTF to the benefits of the Plan, legal heirs of a deceased participant.
- 2.18. **Participant Membership Documents (PMD):** Means the documents detailing the benefits and obligations of the participant.
- 2.19. **Participant Takaful Fund (PTF):** Means IGI Insurance Limited (Window Takaful Operations)-Participant Takaful Fund established under the Waqf Deed; in which the contribution from the Participants shall be put in and such funds shall be used for Shari'ah Compliant investments and to meet expenses related to the administration

- of the Fund, paying claims to the participants including Re-Takaful arrangements etc.
- 2.20. **Qard-e-Hasan:** Means an interest-free loan to the PTF from the Operator's Fund, when the PTF is in deficit and/or to fulfill cash flow requirements.
- 2.21. **Registered Insurer:** Means an insurer registered with the Commission under section 7 of the Ordinance to transact life or non-life business.
- 2.22. **Re-Takaful:** Means an arrangement consistent with sound Takaful principles for re-Takaful of liabilities in respect of risks accepted or to be accepted by the Operator in the course of Takaful business and includes ceding risks from PTF/Takaful pool(s) managed by the Operator to one or more re-Takaful pool(s) managed by one or more re-Takaful operator(s) having Takaful Pool, in line with Takaful principles.
- 2.23. **Shari'ah Advisor:** Means Shari'ah Advisor of the Operator or a committee or a board comprising more than one Shari'ah Advisors working in such capacity.
- 2.24. **Shareholders' Fund / Window Takaful Operator's Fund:** Means the Fund (hereby called SHF or TOF) pertaining to shareholders being maintained by the Window Takaful Operations as per the Statutory requirements and shall consist of the allocation out of paid up capital and undistributed profits to the Shareholders earned by the Window Takaful Operations.
- 2.25. **Settlor:** See Waqif.
- 2.26. **Supplementary Deed:** Means any Supplementary Deed of the Waqf Deed created Deeds under clause 8.4 of the Waqf Deed.
- 2.27. **Surplus:** Means the excess in the PTF, that is, excess amount at any point in time, admissible assets in PTF after covering the liabilities of PTF.
- 2.28. **Takaful Benefit:** Means any benefit, whether pecuniary or otherwise, which is secured by a Takaful Contract.
- 2.29. **Takaful Contract:** Means any contract of Takaful.

- 2.30. **Takaful Contribution:** See Contribution.
- 2.31. **Takaful Operator:** Means IGI Insurance Limited – Window Takaful Operations.
- 2.32. **Takaful Rules:** Means Takaful Rules-2012, issued by SECP (or any successor for the time being in force).
- 2.33. **Wakalah Based Contract:** Means a Takaful Contract based on the principle of Wakalah (agency).
- 2.34. **Wakalah Fee:** Means the Waqf Fund management charges.
- 2.35. **Waqf:** See Waqf Fund.
- 2.36. **Waqf Fund:** See Participant Takaful Fund (PTF).
- 2.37. **Waqif (Settlor):** Means IGI Insurance Limited– Window Takaful Operations in its capacity as Waqif or Settlor of the Waqf. The term Settlor or Operator or Mutawalli may be used interchangeably.
- 2.38. **Window Takaful Operator:** Means a Registered insurer authorized under Takaful Rules-2012 to carry on Takaful business as window operation in addition to Conventional Insurance business i.e. IGI Insurance Limited – Window Takaful Operations.

Unless the context otherwise requires, words or expressions contained in the Waqf Deed shall have the same meaning as in the Companies Ordinance, 1984, Insurance Ordinance, 2000 and Takaful Rules-2012; and words importing the singular shall include the plural, and vice versa, and words importing the masculine gender shall include feminine, and words importing persons shall include corporate entities.

3. RISK COVERED AND BENEFITS PAYABLE BY PTF

- 3.1. The PTF shall cover the risk pertaining to and permitted to General Takaful Business under the Insurance Ordinance-2000 and Takaful Rules-2012.

- 3.2. The type of risk covered shall be approved by the Shari’ah Advisor of the Company.
- 3.3. The types of risk covered through the product that would be offered to the Participant shall be among the following classes as defined under section 4 of the Insurance Ordinance-2000.
- a) For direct and facultative Re-Takaful business;
 - I. Fire and property damage business;
 - II. Marine, aviation and transport business;
 - III. Motor third party compulsory business;
 - IV. Liability business;
 - V. Workers’ compensation business;
 - VI. Bond, Credit and suretyship business;
 - VII. Accident and health business; and
 - VIII. Miscellaneous including Engineering business;
 - b) For Re-Takaful treaty business:
 - I. Proportional treaty business; and
 - II. Non-proportional treaty business.
- 3.4. The list of events and Benefit to be payable to the participant shall be covered in detail in the respective type of PMDs according to the nature of the Risk under allowed classes.
- 3.5. The event upon which amount would be payable shall be according to the terms and conditions to be defined in the relevant PMDs including the exclusion of the event if any.
- 3.6. The amount payable shall be strictly determined under the laws, terms and conditions agreed with Participants and according to the Shari’ah principles.

4. OPERATOR’S OBLIGATIONS

- 4.1. The Operator shall make following policy/policies, and/or document(s) for the purpose of running Takaful business;
- a) Waqf Deed;

- b) Investment Policy;
 - c) Surplus Distribution Mechanism;
 - d) Shari'ah Screening Criteria for Shari'ah compliance scrip and dividend purification;
 - e) Charity Distribution Mechanism; and/or
 - f) Reserve Creation Strategy.
- 4.2. There shall be paid into the PTF all receipts of the Operator properly attributable to the business to which the PTF relates (including the income of the PTF), and the assets comprised in the PTF shall be applicable only to meet such part of the PTF's liabilities and expenses as is properly so attributable.
- 4.3. Total contributions from the participant(s) including the risk related component of contributions and Operator's fees shall be credited to the PTF and from which benefits shall be paid out to the beneficiaries (participants) and Operator's Wakalah Fee shall be paid in accordance with these PTF Policy.
- 4.4. The Operator shall assess, classify, and determine risk prudently in accordance with sound underwriting guidelines and Shari'ah principles.
- 4.5. The Operator shall be entitled to appoint intermediaries for soliciting subscribers or participants or members and to perform such functions necessary and incidental thereto.
- 4.6. The Operator shall perform all functions necessary for the operations of the PTF, including but not limited to:
- a) Receiving contributions from the Participants;
 - b) Utilizing these contributions for the benefits for all the Participants;
 - c) Acting as Wakeel and / or Mudarib in order to manage and invest the funds in Shari'ah compliant manner in the best interest of the PTF; and
 - d) To define, design, implement, manage, administer, run, control, govern, and modify Takaful plans for the benefits of all the Participants, whether existing or prospective, with the approval of Shari'ah Advisor (SA).

- 4.7. The Takaful Operator shall be required to invest its excess available funds in the PTF in any modes and products that adhere to principles established by the Shari’ah and all such modes and products shall be approved by the SA. The guidelines provided by the Takaful Rules and the SA shall be followed for investments of the funds in the PTF, including but not limited to:
- a) Shari’ah compliant government securities;
 - b) Immoveable property;
 - c) Equity instruments of Joint Stock Companies;
 - d) Shari’ah compliant in redeemable capital and Sukuk; and
 - e) Placement of excess funds with various instruments of Islamic financial institutions particularly Islamic banks and Islamic mutual funds.
- 4.8. Takaful Operator shall appoint a Shari’ah Compliance Auditor in accordance with the Takaful Rules who will conduct its audit for each accounting period, which shall be conducted before the close of accounts and annual audit to make the adjustments advised by the Shari’ah compliance auditor.
- 4.9. The Operator shall not accept any risk in respect of any general business unless and until the contribution payable is received by the Operator or is guaranteed to be paid by such person. Provided, where the contribution payable, as aforesaid is received by any person, including a Takaful agent or a Takaful broker, on behalf of the Operator, such receipt shall be deemed to be receipt by the Operator for the purposes aforesaid and the onus of proving that the contribution payable was received by a person, including a Takaful broker, who was not authorized to receive such contribution shall lie on the operator. Provided further, any benefit, which may become due to a participant on account of the cancellation of a policy or alteration in its terms and conditions or for any other reason shall be paid by the Operator, from the PTF, directly to the participant and a proper receipt shall be obtained by the Operator from the participant and such payment shall under no circumstances be paid or credited to any other person, including a Takaful broker.
- 4.10. The Operator shall deduct Operator’s fee (which shall be called as Wakalah Fee) as per defined ratio approved by Shari’ah Advisor out of the Contribution received under this policy. Such fee shall be based on the Wakalah principle since the Operator hereby manages the Fund and acts as a Wakeel of the Fund. The Wakalah Fees shall be

credited to the Operators Fund and remaining portion shall be remained credited in the Participant Takaful Fund. The rate of Wakalah Fees shall be approved by the Shari’ah Advisor based on the rating and risk management guidelines of the Window Takaful Operator for each type of Risk.

- 4.11. The Operator shall act as a Mudarib or Wakeel for the purpose of managing the investments of the Fund’s excess amount. As such, the Operator stands entitled to a Mudarib share or *Wakalah-tul-Istismar* fee in the investment income subject to approval by the Shari’ah Advisor.
- 4.12. For the purpose of determining of Surplus / (deficit) under Participant Takaful Fund (PTF) following revenues, expenditures and technical reserves shall be taken into account at the end of each account year:

Revenues

- Contribution received / receivable by way of Tabarru’ from the Participants under each class of business during the accounting year after adjustment of unearned contribution as at the accounting year end;
- Claims received / receivable during the accounting year from Re-Takaful Operator;
- Rewards, Surplus, donations from Re-Takaful Operators after adjustment of unearned portion of such receipts as at the accounting year end;
- Revenue generated from Investments made in Shari’ah Compliant Avenues;
- Salvages or income of salvages & Recoveries received during the accounting year;
- Revenue generated from Maal-e-Waqf (Waqf Property);
- Qard-e-Hasan by the Operators' Fund to the PTF (in case of deficit or cash flow requirement);
- Any other donation received by the Operator as approved by Shari’ah Advisor.

Expenditures

- Wakalah Fee paid / payable against contributions received during the accounting year to the Operator;
- Contributions paid / payable to re-Takaful Operator after adjustment of any prepaid Re-Takaful ceded as at the accounting year end;
- Claims and costs related to claims to the participants including reserve against Incurred But Not Reported (IBNR);
- Direct expenses paid / payable during the accounting year pertaining to PTF;

- Takaful Operator's share of the investment profits of the Waqf as Mudarib, or a percentage of the funds as Wakalah fees for investment management on the basis of *Wakala-tul-Istismaar* or any other combination thereof approved by the Shari'ah Advisor;
- Return of Qard-e-Hasan to the Operator;
- Any other donation made by PTF as approved by Shari'ah Advisor.

Net amount of Revenues and Expenditures as mentioned above shall be the Surplus / (Deficit) for the accounting year of Participant Takaful Fund. However, in order to determine surplus available for distribution to Participants of the Fund, solvency requirements shall be taken into account and following technical reserves shall be deducted from the surplus, if any:

Incurred But Not Reported (IBNR) Claims:

This is an estimate made by the management on the basis of past trends, expected future patterns of reporting of claims and the claims actually reported subsequent to the balance sheet date in order to report the liability on the cut-off date relating to events/incidents covered under Takaful policy that have occurred till the balance sheet date but have not reported yet. The IBNR reserve shall be calculated in accordance with Securities and Exchange Commission of Pakistan (SECP) Circular no. 09 of 2016 dated March 09, 2016.

Contribution Deficiency Reserve (CDR):

According to the requirements of the Insurance Ordinance, 2000, a contribution deficiency reserve needs to be created where the unearned contribution for any class of business is not adequate to meet the expected future liability after Re-Takaful from claims, and other supplementary expenses expected to be incurred after the balance sheet date in respect of the unexpired policies in that class of business. Any movement in the reserve is to be charged to the profit and loss account.

For this purpose, loss ratios for each class are estimated based on historical claim development. Judgment is used in assessing the extent to which past trends may not apply in future or the effects of one-off claims. If these ratios are adverse, contribution deficiency is determined.

- 4.13. The remaining portion of the surplus may be distributed to participants in proportion to the contributions to the PTF net of any risk related claims which they may have received during the under evaluation period in accordance with the approved Surplus Distribution Mechanism and Policy approved by the Shari'ah Advisor.
- 4.14. For this purpose the Commission is also empowered to develop and issue the Surplus Distribution Mechanism for the General Takaful Operator which shall also be complied by the Operator.
- 4.15. In the case of deficit within the PTF, the operator shall provide Qard-e-Hasan to the PTF to eliminate the Deficit and to meet the solvency requirement of the Takaful Rules, 2012.
- 4.16. The amount of Qard-e-Hasan shall be re-payable to the Operator in the event of the Surplus subject to the meeting the solvency requirement.

5. DISSOLUTION

- 5.1. In case of discontinuation of the Window Takaful Operation of the IGI Insurance Company Limited, the Participant Takaful Fund may be transferred to other authorized Takaful Operator under the Takaful Rules-2012.
- 5.2. If PTF is transferred to another authorized Operator, then balance of all the assets and liabilities shall be transferred.
- 5.3. If it is required to discharge all the existing liabilities before the transfer of such fund than firstly shall pay the entire liabilities of PTF and then if there is a surplus, it would be used to repay any remaining payment of Qard-e-Hasan. If the surplus is not sufficient to repay the entire Qard-e-Hasan, it would be repaid to the extent that there is a surplus in the PTF. If there is a surplus even after paying the liabilities and Qard-e-Hasan, it would either be distributed to the participants in a manner as advised by the SA.
- 5.4. However, in the above clause, if the Operator has created sub-funds, the surplus (before Qard-e-Hasan) in any sub-fund would first be used to offset deficit in any other sub-fund, if any. If the Valuation shows that the PTF is not sufficient to pay the entire

- liabilities of PTF, the deficit would be funded by the Operator from its paid-up capital and reserves, in form of a donation for which the Operator hereby undertakes.
- 5.5. The Waqf property or after it's liquidated amount would be transferred, with the approval of the SA, to another PTF, formed for similar or any other purpose of charity to needy peoples. However, the shareholders of the Operator shall not be entitled to any of the aforesaid amounts.
- 5.6. The IGI Insurance Company Limited (Window Takaful Operation) shall comply with the requirement that may be prescribed by the Commission for the purpose of dissolution of the PTF.
- 6. GENERAL**
- 6.1. This PTF Policy shall be governed by the laws in Pakistan applicable from time to time on the Operator and PTF (Waqf Fund).
- 6.2. The Operator shall have the right to modify, change, add, subtract these as may be deemed necessary with due approval of SA.

END OF POLICY